APPENDIX G

AVERAGE-TO-AVERAGE

Survey results must be incorporated into U.S. Forces pay schedules in a manner that ensures that the average total pay of U.S. Forces employees equals the average total pay of non-U.S. Forces employees, as measured by the survey results. Several approaches that will achieve this result are shown in sections A. through D., below:

A. The Universe Approach

     1. Subtract from the selected total pay trend line the value of pay components paid separately. The reminder is the adjusted pay line.

     2. Compute the weighted average step of all employees paid from the schedule. This may be the current average step or a moving average. Regardless of the method, the average step used may not change more than one third of the value of a step from year to year.

     3. Establish the average step as the point in the schedule structure to which the adjusted pay line-rates-shall apply.

     4. Compute the schedule step rates, as shown in the following example:

          a. Assumptions: Schedule has 5 steps
                            4 percent of step 2 is the step increment
                            Average step is 4.28

          b. Step 4.28 represents a point in the step rate structure that is 109.12 percent of step 2 (8 percent plus 0.28 of the 4 percent interval between steps 4 and 5).

          c. Determine the step 2 rate at each grade by dividing the adjusted pay line by 1.0912 at each grade. If, for example, the adjusted pay line rate at grade 1 is $5.00 per hour, the grade 1 step 2 rate of the schedule is $4.58 per hour (5.00/1.0912 = 4.58).

          d. Once the step 2 rates for each grade have been determined, calculate the remaining steps at each grade by multiplying step 2 by 0.96 for step 1, 1.04 for step 3, 1.08 for step 4, and 1.12 for step 5.

B. Modified Universe Approach

     This approach sets the adjusted pay line at the average step for each grade.

     1. Subtract from the selected total pay trend line the value of pay components paid separately. The reminder is the adjusted pay line.

     2. Compute the weighted average step of all employees paid from the schedule by grade. This may be the current average step or a moving average. Regardless of the method, each average step used may not change more than one third of the value of a step from year to year.

3. Establish the average step for each grade as the point to which the adjusted pay line rates shall apply.

4. Compute the schedule step rates, as shown in the following example:

    a. Assumptions: Schedule has 5 steps
                            4 percent of step 2 is the step increment
                            Average steps: Grade 1   3.28
                                             Grade 2   3.75
                                             Grade 3   3.55
                                             Grade 4   3.86
                                           Grade 5   4.00

    b. Determine the percentage of step 2 that each average represents:

        (1) For grade 1 , step 3.28 represents a point in the step rate structure that is 105.12 percent of step 2 (4 percent plus 0.28 of the 4 percent interval between steps 4 and 5).

        (2) The corresponding percentages for the remaining grades in the example are: grade 2, 107.00 percent; grade 3, 106.20 percent; grade 4, 107.44 percent; and grade 5, 108.00 percent.

    c. Determine the step 2 rate at each grade by dividing the adjusted pay line by the percentage calculated in paragraph B.4.b., above, for each grade. If, for example, the adjusted pay line rate at grade 1 is $5.00 per hour, the grade 1 step 2 rate of the schedule is $4.76 per hour (5.00/1.0512 = 4.76).

    d. Once the step 2 rates for each grade have been determined; calculate the remaining steps at each grade by multiplying step 2 by 0.96 for step 1, 1.04 for step 3, 1.08 for step 4, and 1.12 for step 5.

C. <u>Dual Pay Line Approach</u>

    1. Select the best fit total pay line for the survey data.

    2. Compute weighted averages of current U.S. Forces total pay by grade, including separately paid pay components as well as step rates in the calculations.

    3. Compute a regression line on the U.S. Forces data, using the same type of regression that resulted in the best fit total pay line from the survey data-.

    4. Adjust current total pay at each grade by the difference between the the two total pay lines.

    5. Apportion the difference among the various pay elements taking into account prevailing practice and the U.S. Forces compensation plans. Ensure that the new total pay, on average, does not exceed current total pay plus the difference calculated in subsection C.4., above.

D. Additional Guidance

    1. Consider the following when selecting the approach to achieve the average-to-average policy requirement:

        a. If the average step of U.S. Forces employees varies significantly by grade, the modified universe or the dual pay line approach may be indicated. These procedures allow a more incremental approach, by grade, than the universe approach. The trade-off is that the resulting pay schedule may not progress smoothly from grade to grade.

        b. If the average steps of U.S. Forces employees tend to cluster at certain skill levels (i.e., similar average steps at unskilled grade levels), it may be desirable to compute average-to-average values for the grades at that skill level using the average step for those grades.

    2. To minimize the impact of year-to-year fluctuations in the average step figures, 3 or 4 year moving averages may be used. For example:

YEAR	AVERAGE STEP	3 YEAR MOVING AVERAGE
1985	3.13	
1986	2.70	
1987	3.26	3.03
1988	3.37	3.11
1989	3.55	3.39

    3. Once an average-to-average policy is implemented, do not 'change it solely for the purpose of controlling wage adjustments.